

## Global Markets Research

### Fixed Income

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	0.15	0
5-yr UST	0.29	1
10-yr UST	0.68	3
30-yr UST	1.39	4

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	1.81	0	1.79	-2
5-yr	2.07	3	2.01	-2
7-yr	2.24	1	2.31	-1
10-yr	2.51	-1	2.53	2
15-yr	2.92	-1	2.97	1
20-yr	3.27	0	3.30	0
30-yr	3.54	-4	3.65	0

\* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	1.85	0
3-yr	1.90	0
5-yr	2.10	0
7-yr	2.28	0
10-yr	2.51	0

Source : Bloomberg

### Upcoming Government Bond Tender

Reopening of 15Y GII 11/34 (RM4.0bn + RM1.0bn private placement) on 26-August (today)

## Fixed Income Daily Market Snapshot

### US Treasuries

- US Treasuries were sold off for a 2<sup>nd</sup> straight day amid further increase in risk appetite stemming from renewed trade optimism following a teleconference between US trade representative Robert Lighthizer, Secretary Mnuchin and China Vice Premier Liu He. Meanwhile, overnight US data offered some positive vibes on the housing and manufacturing front although consumers were turning less optimistic for a second month. UST yields generally rose 1-4bps across the curve except that 2Y note yields were little changed at 0.15%. 10Y UST yield rose 3bps to 0.68%, bear steepening the curve. The US Treasury sold \$50b worth of 2-year floating rate note that drew solid demand with a BTC of 2.78x (prior 2.34x) at a high yield of 0.155%. All eyes will be on tonight's durable goods orders ahead of Powell's speech at the annual Jackson Hole Symposium tomorrow.

### MGS/GII

- Trading activities in local govovies regained some traction on Tuesday as seen in the recovery in secondary market volume to RM3.66bn (prior RM2.33bn). Trading was however mixed with overall yields ended between -4bps and +3bps. MGS were seen rallying largely at the long end while GII at the shorter end of the curve. Benchmark 5Y MGS 9/25 yields ended 3bps higher at 2.07% while the 10Y MGS 8/29 yields closed 1bps down at 2.51%. Little change from the preceding day, trading interests were seen focused more on the non-benchies particularly at the front end and the belly. GII trades also more than doubled to RM1.29bn, making up a higher 35% of overall trades (prior 27%), with trading spanning rather evenly up to the 20Y. Focus will be on the reopening auction of 15Y GII 11/34 today.

### Corp Bonds/Sukuk

- Tracking the increase in trading momentum in local govovies, secondary market volume of corporate bonds/ sukuk picked up a second straight day to RM851m (prior RM598m). The AA-rated issuances attracted the most interests followed by government-guaranteed papers. Within the GG space, various PRASA '26-'30 took center stage with a combined RM125m dealt mixed with yields between 2.310-2.710%. DANAINFRA '26-'46 meanwhile traded flat to 6bps lower settling between 2.305-3.679%. In the AAA- and AA-rated space, interests were seen well diversified across the key sectors including energy, banking, infra, and ports. Of note, Cagamas, Danga, Danum Capital, PLUS, YTLCorp, UEM Sunrise were among the popular trades. In addition, Konsortium ProHAWK '30-'32, SPR Energy '32-'35, also attracted substantial interests with yields closing sharply lower. Kenanga Investment Bank '30 was traded at 4.25% on debut.

## Daily Trades : Government Bond

Securities	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS 10/20	1.690	407	1.656	24/08/2020	3
MGS 07/21	1.650	77	1.711	19/08/2020	-6
MGS 09/21	1.674	10	1.699	24/08/2020	-3
MGS 11/21	1.706	70	1.728	21/08/2020	-2
MGS 03/22	1.735	2	1.754	24/08/2020	-2
MGS 08/22	1.740	151	1.753	24/08/2020	-1
MGS 09/22	1.754	2	1.759	24/08/2020	0
MGS 03/23	1.806	325	1.810	24/08/2020	0
MGS 04/23	1.821	2	1.840	24/08/2020	-2
MGS 08/23	1.872	10	1.857	24/08/2020	2
MGS 06/24	2.010	116	2.011	24/08/2020	0
MGS 07/24	2.023	40	2.003	24/08/2020	2
MGS 09/24	2.020	31	2.014	24/08/2020	1
MGS 03/25	2.065	53	2.101	11/08/2020	-4
MGS 07/25	2.077	17	2.679	28/04/2020	-60
MGS 09/25	2.070	111	2.042	24/08/2020	3
MGS 07/26	2.216	210	2.200	24/08/2020	2
MGS 09/26	2.276	120	2.257	24/08/2020	2
MGS 03/27	2.282	17	2.282	21/08/2020	0
MGS 05/27	2.236	51	2.220	24/08/2020	2
MGS 11/27	2.326	27	2.302	24/08/2020	2
MGS 06/28	2.474	44	2.499	24/08/2020	-2
MGS 08/29	2.508	269	2.514	24/08/2020	-1
MGS 04/30	2.543	21	2.528	21/08/2020	2
MGS 06/31	2.689	16	2.699	24/08/2020	-1
MGS 04/33	2.976	6	2.940	21/08/2020	4
MGS 07/34	2.923	171	2.931	24/08/2020	-1
MGS 04/37	3.305	3	3.238	19/08/2020	7
MGS 06/38	3.262	0	3.299	21/08/2020	-4
MGS 03/46	3.658	0	3.663	24/08/2020	0
MGS 06/50	3.536	1	3.576	21/08/2020	-4
GII 04/21	1.654	10	1.714	19/08/2020	-6
GII 04/21	1.654	10	1.723	19/08/2020	-7
GII 07/22	1.780	20	1.783	24/08/2020	0
GII 05/23	1.787	102	1.807	24/08/2020	-2
GII 07/23	1.887	20	1.886	21/08/2020	0
GII 10/23	1.861	50	1.888	24/08/2020	-3
GII 10/24	2.013	140	2.034	24/08/2020	-2
GII 08/25	2.063	70	2.068	24/08/2020	0
GII 10/25	2.061	10	2.062	24/08/2020	0
GII 03/26	2.125	60	2.154	18/08/2020	-3
GII 09/26	2.226	30	2.236	19/08/2020	-1
GII 06/27	2.323	120	2.320	24/08/2020	0
GII 06/27	2.324	10	2.831	18/05/2020	-51
GII 07/27	2.314	70	2.331	19/08/2020	-2
GII 09/27	2.308	71	2.316	24/08/2020	-1
GII 08/28	2.453	15	2.526	29/07/2020	-7
GII 10/28	2.499	150	2.506	24/08/2020	-1
GII 12/28	2.510	40	2.436	05/08/2020	7
GII 10/30	2.528	21	2.512	24/08/2020	2
GII 06/33	3.000	60	3.010	24/08/2020	-1
GII 08/33	3.013	5	3.021	19/08/2020	-1
GII 11/34	2.968	83	2.960	24/08/2020	1
GII 10/35	3.294	0	3.280	18/08/2020	1
GII 09/39	3.300	120	3.301	19/08/2020	0
		<u>3664</u>			

## Daily Trades : Corp Bonds/ Sukuk

Securities	Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*	
Small Medium Enterprise Development Bank Malaysia Berhad	23/04/2025	GG	2.318	10	2.338	24/08/2020	-2	28
Danainfra Nasional Berhad	12/02/2026	GG	2.305	40	2.366	17/08/2020	-6	26
Prasarana Malaysia Berhad	26/02/2026	GG	2.310	15	2.309	24/08/2020	0	12
Danainfra Nasional Berhad	25/09/2026	GG	2.349	40	2.413	13/08/2020	-6	16
Prasarana Malaysia Berhad	25/02/2027	GG	2.419	20	2.451	06/08/2020	-3	19
Small Medium Enterprise Development Bank Malaysia Berhad	23/04/2027	GG	2.518	30	2.538	24/08/2020	-2	28
Prasarana Malaysia Berhad	10/07/2029	GG	2.639	40	2.640	24/08/2020	0	17
Prasarana Malaysia Berhad	25/02/2030	GG	2.710	40	2.680	19/08/2020	3	19
Prasarana Malaysia Berhad	22/03/2030	GG	2.688	10	2.698	11/08/2020	-1	17
Danainfra Nasional Berhad	20/05/2030	GG	2.730	10	2.730	24/08/2020	0	21
GovCo Holdings Berhad	06/06/2031	GG	2.841	10	3.188	08/05/2020	-35	33
Projek Lebuhraya Usahasama Berhad	12/01/2038	GG	3.400	1	3.436	04/08/2020	-4	47
Danainfra Nasional Berhad	03/05/2046	GG	3.679	20	3.680	24/08/2020	0	42
Cagamas Berhad	03/09/2020	AAA	0.000	10	3.231	14/08/2019	-323	-170
Cagamas Berhad	08/10/2021	AAA	2.063	5	2.085	07/08/2020	-2	37
Pengurusan Air SPV Berhad	25/02/2022	AAA	2.245	40	2.794	24/06/2020	-55	48
Cagamas Berhad	18/04/2022	AAA	2.127	20	2.191	13/08/2020	-6	37
Projek Lebuhraya Usahasama Berhad	10/01/2025	AAA	2.705	10	2.728	18/08/2020	-2	72
Danum Capital Berhad	13/05/2025	AAA	2.539	15	2.607	07/08/2020	-7	50
Projek Lebuhraya Usahasama Berhad	12/01/2026	AAA	2.755	10	2.768	18/08/2020	-1	71
Danum Capital Berhad	13/02/2026	AAA	2.601	10	2.590	19/08/2020	1	56
Danga Capital Berhad	23/02/2026	AAA	2.600	30	2.565	24/08/2020	4	41
TNB Northern Energy Berhad	29/05/2029	AAA	2.870	15	3.448	28/04/2020	-58	41
Sarawak Energy Berhad	25/04/2031	AAA	3.002	10	2.979	18/08/2020	2	49
Sabah Credit Corporation	05/05/2022	AA1	2.613	20	3.210	29/04/2020	-60	85
Samalaju Industrial Port Sdn Berhad	28/12/2026	AA1	2.938	40	3.519	12/02/2020	-58	75
United Overseas Bank (Malaysia) Berhad	02/08/2030	AA1	2.721	0	2.721	21/08/2020	0	21
YTL Corporation Berhad	23/06/2034	AA1	3.809	10	3.809	17/08/2020	0	87
Kuala Lumpur Kepong Berhad	27/09/2034	AA1	3.475	20	3.469	19/08/2020	1	54
Westports Malaysia Sdn Berhad	03/05/2022	AA+	2.541	10	3.615	26/09/2019	-107	78
Benih Restu Berhad	05/06/2025	AA2	3.030	30	3.043	07/08/2020	-1	99
Konsortium ProHAWK Sdn Berhad	27/12/2030	AA2	3.459	10	4.308	13/04/2020	-85	94
Konsortium ProHAWK Sdn Berhad	20/06/2031	AA2	3.498	10	5.090	19/04/2018	-159	98
Konsortium ProHAWK Sdn Berhad	26/12/2031	AA2	3.539	10	4.159	03/10/2019	-62	102
Konsortium ProHAWK Sdn Berhad	28/06/2032	AA2	3.578	10	4.079	20/01/2020	-50	106
Fortune Premiere Sdn Berhad	05/09/2025	AA	3.197	20	3.199	19/08/2020	0	116
Fortune Premiere Sdn Berhad	11/09/2026	AA	3.259	20	3.418	15/07/2020	-16	107
Press Metal Aluminium Holdings Berhad	15/08/2025	AA3	3.991	3	4.000	17/08/2020	-1	195
Mumtaz Rakyat Sukuk Berhad	19/06/2026	AA3	2.679	1	2.686	24/08/2020	-1	49
Besraya (M) Sdn Berhad	28/07/2028	AA3	3.432	10	4.492	25/10/2019	-106	104
SPR Energy (M) Sdn Berhad	16/07/2032	AA3	3.848	10	5.219	20/12/2018	-137	133
SPR Energy (M) Sdn Berhad	15/07/2033	AA3	3.928	10	4.459	23/08/2019	-53	99
SPR Energy (M) Sdn Berhad	17/07/2034	AA3	3.998	10	4.489	23/08/2019	-49	106
SPR Energy (M) Sdn Berhad	17/07/2035	AA3	4.109	10	4.559	23/08/2019	-45	117
Malayan Banking Berhad	22/02/2117	AA3	3.278	1	3.271	06/08/2020	1	1
UEM Sunrise Berhad	09/06/2023	AA-	3.557	1	3.901	26/06/2020	-34	175
Malaysian Resources Corporation Berhad	14/08/2023	AA-	3.681	5	3.685	19/08/2020	0	187
MMC Corporation Berhad	24/03/2028	AA-	3.948	10	3.977	24/08/2020	-3	156
Southern Power Generation Sdn Berhad	30/04/2035	AA-	3.670	10	4.669	24/06/2019	-100	74
Lebuhraya DUKE Fasa 3 Sdn Berhad	23/08/2039	AA-	5.080	15	5.209	09/07/2020	-13	182
CIMB Group Holdings Berhad	25/05/2116	A1	3.250	0	3.246	24/08/2020	0	-1
UMW Holdings Berhad	20/04/2118	A1	4.443	0	4.343	21/08/2020	10	118
IJM Land Berhad	17/03/2119	A2	4.810	1	4.233	18/08/2020	58	155
MBSB Bank Berhad (fka Asian Finance Bank Berhad)	19/12/2031	A3	3.651	10	4.017	18/08/2020	-37	114
WCT Holdings Berhad	03/03/2119	A	5.860	19	5.880	07/08/2020	-2	260
WCT Holdings Berhad	27/09/2119	A	5.770	9	5.528	27/02/2020	24	251
YNH Property Berhad	08/07/2119	-	6.177	0	6.178	24/08/2020	0	291
Eco World International Berhad	27/4/2023	-	5.752	1	5.746	21/08/2020	1	-
Kenanga Investment Bank Berhad	28/08/2030	-	4.250	45	-	-	-	-
				851				

\*spread against nearest indicative tenured MGS (Source : BPAM)

## Market/Corporate News: What's Brewing

IOI Corp Bhd's net profit for the fourth financial quarter ended June 30, 2020 (4QFY20) leapt to RM238.3 million compared with just RM100,000 for 3QFY20 thanks to higher crude palm oil (CPO) and palm kernel (PK) prices realised in the quarter. The quarterly net profit was five times higher from RM46.6 million a year ago. IOI Corp said in its quarterly result announcement that it anticipates the financial performance of its plantation segment in FY21 to be similar to that in FY20, which was a significant improvement from FY19. Quarterly revenue came in at RM2.04 billion, just slightly higher than RM2.03 billion recorded in 3QFY20, and 17% higher from a year ago at RM1.74 billion. The group declared a second

interim dividend of four sen per share for FY20 ended June 30, 2020. The proposed dividend will be paid on Sep 18. The group's plantation segment recorded a 117% increase in profit at RM234.2 million during the quarter, compared with RM84.5 million a year ago, on the back of higher CPO and PK prices realised as well as higher fresh fruit bunches (FFB) production. Its average CPO and PK prices realised for 4QFY20 were RM2,370 per MT and RM1,349 per MT respectively, while FFB production was at 865,503 MT. For FY20, the group's annual net profit fell 5% to RM600.9 million versus RM631.7 million a year ago, though revenue climbed 5.6% to RM7.8 billion versus RM7.39 billion previously. Looking ahead, IOI said oil palm crop production is likely to increase gradually from September to November this year while the demand is expected to taper off from the high restocking activity in the major importing countries, supported by festive demand during the Chinese Full Moon Festival and the Diwali celebration in November. As a result, it added, palm oil prices may decline slightly in the fourth quarter of this year from its current strong level. "Oil palm crop production for the group is expected to be flat or slightly lower in FY21 due to the aggressive replanting programme carried out in Sabah, offset by the increased crop production from our young Indonesian planting and our associate company, Bumitama Agri Ltd. "We have been actively implementing mechanisation in our estates and digitisation in our business processes in order to reduce reliance on foreign workers and improve our efficiency in estate operations as well as administrative control," it said. (Source: *The EdgeMarkets*)

Following its record quarterly net loss of RM803.55 million in the first quarter ended March 31, 2020, AirAsia Group Bhd sank further into the red with a net loss of RM992.89 million in its second quarter ended June 30, as the group faced the full brunt of the pandemic outbreak. This came as the group's revenue shrank 95% quarter-on-quarter to RM118.96 million from RM2.31 billion. In contrast, AirAsia recorded a revenue of RM2.92 billion in the previous year's corresponding quarter (2QFY19), with a net profit of RM17.34 million. The 96% year-on-year (y-o-y) revenue drop was primarily due to a 98% y-o-y decline in airline revenue, as capacity was significantly reduced due to fleet hibernation at the end of March, prior to gradual resumption of domestic operations from the end of April as travel restrictions eased. "The airline revenue in the quarter was also negatively impacted by RM60 million in refunds. Less impacted in the quarter [was] non-airline revenue [which] declined 55% y-o-y," AirAsia said in a statement. The group's cargo and logistics operations, Teleport, meanwhile, saw its share of group revenue rise to an all-time high of 42%, as it transported medical aid and critical supplies during the quarter. Besides a shortfall in revenue due to subdued travel demand because of lockdowns and border restrictions worldwide, AirAsia said its weakened quarterly performance was also due to a realised hedging loss of RM199 million. Consequently, the consolidated group posted a loss in 2QFY20 Ebitda (earnings before interest, tax, depreciation and amortisation) of RM683 million, in comparison to Ebitda of RM254 million in 2QFY19, it said. For the first half (1HFY20) of its financial year ending Dec 31, 2020, it registered a net loss of RM1.8 billion versus a net profit of RM111.78 million a year earlier, while revenue dropped 57% to RM2.43 billion from RM5.65 billion. The dismal results notwithstanding, the group's president of its airlines unit Bo Lingam said the group had managed to stabilise the airline business in 2QFY20. "We will be able to maintain sustainable operations on the back of our domestic services for the rest of the year, if travel restrictions and border closures remain in place. Fares have been improving and we believe that competitors will continue to price rationally," he said. During the lockdown, the group took the opportunity to restructure its operations and lay the foundations for a sustainable and viable business for the

future, said AirAsia chief executive officer Tan Sri Tony Fernandes. "Although we do not foresee capacity returning to pre-Covid-19 levels in the short term, we expect demand to gradually continue to grow throughout the second half of 2020 and for the airline to be profitable in the years to come, as costs have reduced significantly amidst our network optimisation and improved pricing strategies," Fernandes said. (Source: *The EdgeMarkets*)

The parliament of Malaysia on Monday approved the government's plan to raise its debt ceiling for the first time in more than a decade, as Southeast Asia's third-largest economy grapples with the economic fallout from the coronavirus pandemic. Parliament voted to allow the government to borrow up to 60% of gross domestic product, as part of temporary measures to mitigate the effects of the pandemic on the public and local businesses. The last time Malaysia raised its debt ceiling was in July 2009 during the global financial crisis, when it increased its maximum borrowings by 10 percentage points to 55% of GDP. The latest raising of the debt ceiling was part of a temporary bill to enable government financing for economic stimulus packages and recovery plans and related matters. The government under Prime Minister Muhyiddin Yassin has rolled out stimulus packages totaling around 295 billion ringgit (US\$70.7 billion) this year to help the public and businesses weather the pandemic, finance minister Tengku Zafrul Aziz said when winding up the debate on the bill in parliament. That includes a fiscal injection of 45 billion ringgit, which raises Malaysia's debt ceiling to 56%, he said. Malaysia's economy plunged 17.1% in the second quarter, its first contraction since 2009, as the pandemic ravaged business activity. Malaysia's central bank expects the economy to contract by between 3.5% and 5.5% this year as a whole. Measures under the bill expire at the end of 2022. (Source: *The EdgeMarkets*)

Rating Action			
Isuser	PDS Description	Rating/Outlook	Action
Aman Sukuk Berhad	Islamic Medium-Term Notes (IMTN) programme of up to RM10.0 billion	AAA <sub>IS</sub> /Stable	Reaffirmed
CIMB Group Holdings Berhad	Corporate credit ratings	AA+/MARC-1 / Stable	Affirmed
	RM10.0 billion Basel III-compliant Tier 2 Subordinated Debt Programme	AA / Stable	Affirmed
CIMB Islamic Bank Berhad	Financial institution ratings	AAA/MARC-1/Stable	Affirmed
	• RM10.0 billion Senior Sukuk Wakalah Programme (Sukuk Wakalah)	AAA <sub>IS</sub> /Stable	Affirmed
	• RM5.0 billion Tier 2 Junior Sukuk Programme	AA+ <sub>IS</sub> /Stable	Affirmed
CIMB Bank Berhad	Financial institution ratings	AAA/MARC-1/Stable	Affirmed
	• RM10.0 billion Basel III-compliant Tier 2 Subordinated Debt Programme	AA+/Stable	Affirmed
	• RM5.0 billion Subordinated Debt and Junior Sukuk Programmes	AA+/AA+ <sub>IS</sub> /Stable	Affirmed

Source: RAM, MARC

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